

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6797

BILL NUMBER: SB 491

NOTE PREPARED: Jan 27, 2015

BILL AMENDED:

SUBJECT: School Emergency Response Systems.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *School Emergency Response System-* The bill requires the Department of Homeland Security (DHS) to establish minimum standards and approve best practices not later than July 1, 2016, for a school emergency response system. The bill creates an advisory committee consisting of law enforcement officials and a deputy director of the DHS to advise the DHS in establishing the standards. The bill requires, beginning July 1, 2016, the DHS to review and approve a school corporation's: (1) plans and specifications; and (2) use of the DHS's best practices; if the school corporation purchases, installs, or implements a system.

Indiana School Emergency Response System Fund- The bill creates the Indiana School Emergency Response System Fund (SERSF) to provide matching grants to schools to pay the costs of purchasing, installing, and implementing a system. The bill provides that: (1) each matching grant may not exceed \$125,000; and (2) a school may receive two matching grants annually. The bill imposes fees on: (1) the retail sale of firearms and ammunition; and (2) handgun licenses; for deposit in the SERSF.

School Emergency Response System Loans- The bill allows a school corporation to obtain a loan (not to exceed \$50,000) from the Counter-Cyclical Revenue and Economic Stabilization Fund for the costs of purchasing, installing, and implementing a system.

Capital Projects Fund- The bill allows a school corporation to use money from the school capital projects fund to pay: (1) the costs of a system; or (2) advances on a loan from the Common School Fund to pay for a system.

School Corporation Emergency Response Fund- The bill requires each school corporation that wants to purchase, install, and implement a system to establish a school corporation emergency response system fund. The bill allows a school corporation to collect one or both of the following: (1) A student safety fee, not to exceed \$20 per year, for each student of a school. (2) A public safety fee, not to exceed \$10 per month on each parcel of real property located within the school corporation district that ends on the earlier of the following dates: (A) The bill when the school board determines sufficient funds have been collected to further its program of purchasing, installing or implementing emergency response systems in the school corporation. (B) 60 months. The bill requires that a student safety fee or public safety fee collected by a school corporation must be used to pay for the purchase, installation, and implementation of a system, or to provide matching funds for grants to pay for the purchase, installation, and implementation of a system.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *School Emergency Response System-* Approving standards and practices falls within the routine administrative functions of the DHS, including any rules that may need to be adopted.

If existing DHS staff could not be utilized to complete the required school plan reviews, the DHS may have to hire additional staff. Once all school plans have been reviewed and approved, the additional staff could be reassigned or their positions terminated. Presumably, any additional financial resources required to carry out school plan reviews would require further legislative or administrative action.

Advisory Committee- A 13-member advisory committee would be established to assist the DHS in the development of minimum school safety system standards. The 11 members who are not state employees would be eligible for per diem and travel reimbursement rates established by the Department of Administration and approved by the Budget Agency. Given that the standards would have to be adopted by July 1, 2016, any expenditures needed for the committee would be applicable during FY 2016.

School Emergency Response System Loans- A school corporation could apply for a loan from the Counter-Cyclical Revenue and Economic Stabilization Fund and the Common School Fund. The maximum amount a school corporation could borrow is \$50,000 from each fund. Schools would have up to 60 months to repay a loan. The State Board of Finance would determine the terms of the loan. If every school corporation applied for the maximum, the total loan amounts possible from both funds would be about \$29 M.

Indiana School Emergency Response System Fund- An applying school could receive up to \$250,000 in grants per calendar year from the SERSF. The DHS would administer the SERSF. Administrative fund management expenses would be paid from the SERSF. The Treasurer of State would invest nonobligated money, and the investment interest would be redeposited into the fund. SERSF balances would not revert to the state General Fund at the end of a state fiscal year.

Department of State Revenue (DOR)- The bill requires the DOR to collect the fees on retail sales of ammunition and firearms from the merchant in the same manner the merchant remits Sales Tax. It also requires the DOR to separately account for the fee revenue. This will likely require the current Sales Tax forms to be modified. The DOR's current level of staff and resources should be sufficient to implement the changes.

Explanation of State Revenues: *Indiana School Emergency Response System Fund-* The SERSF would receive revenue from three sources: addendum local level handgun license fees, addendum state handgun

license fees, and a 0.04% rate levied on retail firearm and ammunition transactions.

Handgun license fees would depend on whether the license is qualified or unlimited *and* whether the duration is four-years or lifetime. Additionally, two different fees would be assessed depending on whether the person had a valid four-year license at the time a lifetime license was purchased. The following table illustrates the estimated revenue from the proposed fees in FY 2016 and FY 2017.

Table A. Estimated Revenue From Proposed Fees on Handgun Licenses, Ammunition, and Firearms.			
Fee Type	Fee Amount	Estimated Revenue	
		FY 2016	FY 2017
Local Handgun License Fees	Four-year license: \$5 Lifetime license: \$20	\$1.2 M	\$1.4 M
State Handgun License Fees	Qualified license: \$1 - \$5 Unlimited license: \$7 - \$15	\$0.72 M	\$0.83 M
Ammunition and Firearm Retail Sales	0.04% of Retail Value of Transaction	\$0.06 M	\$0.07 M
	TOTAL	\$2.0 M	\$2.3 M

Additional Information- No federal or state agency is known to record ammunition and firearm sales. Proxies had to be used in order to generate the above estimates. The firearm sales estimate was calculated from NCIS background checks data for Indiana. Ammunition sales estimates were generated from a survey of Indiana gun retailers. FY 2016 and FY 2017 firearm sales estimates were developed from average growth rates from prior years and multiplied by the proposed 0.04% rate. Simulated background check rejections were based on the state handgun license applications rejection rate. Prices of \$300 per firearm and \$25 per box of ammunition were used as approximate values for an average retail transaction.

Explanation of Local Expenditures: *Capital Projects Fund-* School corporations would be able to use their capital projects funds to acquire any equipment and services necessary to implement a school emergency response system. The fund could also be used to repay school emergency response system loans from the Common School Fund.

Explanation of Local Revenues: *School Corporation Emergency Response Fund-* The bill creates the Emergency Response System Fund. Schools could impose either a fee of \$20 on parents of students or a fee of \$10 per month for up to 60 months on property owners in the school corporation. The following table illustrates the revenue each fee could generate.

Table B. School Corporation Emergency Response Fund Fee Revenue.			
Fee Description	Fee Amount	Estimated Revenue	Duration
Fee on Parents of Students	\$20	\$19 M	Annually
Fee on Parcels of Land (including exempt property)	\$10/month	\$2.1 B*	Up to 60 Months
* Based on 60 months' collection.			

A school corporation could also apply for a loan from the Counter-Cyclical Revenue and Economic Stabilization Fund and the Common School Fund. The maximum amount a school corporation could borrow is \$50,000 from each fund. Schools would have up to 60 months to repay a loan. The State Board of Finance would determine the terms of the loan.

Indiana School Emergency Response System Fund- School corporations could receive matching grants from the Secured School Fund and from the SERSF. Schools could receive up to two grants per calendar year from either fund totaling \$125,000 per grant. However, schools that receive an initial grant would have to wait until all other qualifying schools receive their first grant before being awarded a second grant during a calendar year.

Additional Information- As of December 2014, schools had a cash balance of about \$333.4 M in their capital projects funds and levied about \$753.6 M in property taxes in CY 2014.

State Agencies Affected: Department of Homeland Security, Treasurer of State, State Board of Finance, Department of State Revenue, Auditor of State.

Local Agencies Affected: School corporations.

Information Sources: Indiana State Police: Handgun License Counts, LSA Parcel Level Property Tax Database; Federal Bureau of Investigation: Indiana NCIS gun purchase background checks; LSA Gun and Ammunition Retail Survey.

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